

ORIGINAL

Before the
Federal Communications Commission
Washington, D.C. 20554

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

In the Matter of)
)
Petition of United States)
Telephone Association to Eliminate)
Detailed Property Records)
For Certain Support Assets)

RM 8640

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REPLY COMMENTS OF BELL ATLANTIC¹

The comments have been overwhelmingly supportive of the United States Telephone Association's petition² to eliminate detailed property records for a small group of high volume/low cost assets. Commenters recognized that the "USTA proposal in no way threatens the security of the assets at issue, and existing company controls are more than adequate to enable carriers to account for these assets, and determine their cost and location within the company."³

USTA's proposal to use vintage amortization level ("VAL") property records for specified support assets was endorsed by more than just local exchange carriers ("LECs"). Local regulators also recognized that "existing accounting rules do require a

¹ The Bell Atlantic telephone companies ("Bell Atlantic") are Bell Atlantic-Delaware, Inc.; Bell Atlantic-Maryland, Inc.; Bell Atlantic-New Jersey, Inc.; Bell Atlantic-Pennsylvania, Inc.; Bell Atlantic-Virginia, Inc.; Bell Atlantic-Washington, D.C., Inc.; and Bell Atlantic-West Virginia, Inc.

² USTA Petition (filed May 31, 1994).

³ Comments of BellSouth Telecommunications, Inc. at i-ii (filed July 5, 1995); see also Comments of Bell Atlantic at 2-5 (filed July 5, 1995).

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considerable amount of time to monitor these assets,"⁴ and so elimination of these requirements has "potential cost saving benefits."⁵ Specifically, regulators recognized that the VAL proposal "removes the need to identify, track and inventory large amounts of retirement units with small unit cost which are not an integral part of the utility systems."⁶ This streamlining would free the time of employees for "more material tasks"⁷ -- to the benefit of the regulated companies and their customers.

A few commenters expressed reservations about the proposal because of concerns over potential inconsistencies between state and federal requirements.⁸ These concerns are fully addressed by BellSouth's suggestion that the switch to VAL be made optional to

⁴ Comments of the Pennsylvania Public Utility Commission at 2 (filed July 5, 1995).

⁵ Comments of the Public Service Commission of Wisconsin at 1 (filed June 30, 1995) ("Wisconsin Comments").

⁶ *Id.* at 2.

⁷ *Id.*

⁸ See Comments Submitted by Public Utilities Commission of Ohio at 2 (filed July 3, 1995) ("Ohio PUC"); Comments of the New York State Department of Public Service at 3 (filed June 29, 1995); NYNEX Comments at 3 (filed July 5, 1995). The Ohio PUC argued that VAL should be rejected as a departure from "used and useful" requirements. First, detailed continuing property records are unnecessary to verify purchase or appropriate use of support assets. Second, VAL will require the depreciation of assets over an appropriate life. Third, even if VAL were a departure from absolute adherence to the used and useful standard, the Commission has approved such departures when appropriate. See *The Accounting and Ratemaking Treatment for the Allowance for Funds Used During Construction (AFUDC)*, 10 FCC Rcd 2211, 2214 (1995). Here, the cost savings fully support use of VAL.

the regulated companies, on a statewide basis.⁹ This type of flexibility would allow carriers to work with their local regulators and ensure that the regulators' concerns are addressed. Moreover, it would eliminate the situation today, where companies that operate in states that have adopted VAL are nonetheless required to maintain burdensome continuing property records only because of Commission rules.¹⁰

MCI argues that the preliminary results of the National Exchange Carrier's Association ("NECA") audits of transactions from six years ago somehow should influence the Commission's decision on the VAL proposal.¹¹ None of the NECA audit findings, however, relates to property records for support assets.¹² Moreover, to the extent that any lesson can be drawn from the audits for the purposes of a decision here, it supports the VAL proposal. The audit results implied a need for more automated, less labor

⁹ See BellSouth Comments at 4.

¹⁰ *Id.*

¹¹ MCI Opposition at 3 (filed July 5, 1995). MCI also argues that there is no record support for the proposition that the administration of these assets impose disproportionate administrative costs. MCI Opposition at 2. Initial comments have supplemented the record and provide the support called for by MCI. See Bell Atlantic Comments at 2; Pacific Bell and Nevada Bell Comments at 3 (filed July 3, 1995); Ameritech's Comments at 2 (filed July 5, 1995); U S West Comments at 3 (filed July 5, 1995).

¹² See, e.g., *The Bell Atlantic Telephone Operating Companies, Order to Show Cause*, 10 FCC Rcd 5099, 5108 (1995). Under VAL, companies would still maintain purchasing records for the covered assets. These records would provide a sufficient audit trail for these assets whether or not the Commission adopts the VAL proposal.

intensive accounting.¹³ The VAL proposal would streamline record keeping and reduce the possibility of human error.

Finally, several commenters sought to tie the decision on this petition to the Commission's consideration of an increase in the expense limit.¹⁴ The VAL proposal is a worthwhile regulatory improvement, regardless of other Commission action. The proposed rulemaking would only raise the expense limit to \$750, which would do little to relieve the administrative burden associated with these assets.¹⁵ Even if the Commission were to raise the limit to \$2000 as proposed by USTA, a switch to VAL would ease the administrative burden on those assets in the affected accounts valued above \$2000. In any event, the Commission should avoid tying the two issues together and thereby delaying *any* regulatory reform by slowing down consideration of both of them.

¹³ See *Bell Atlantic Telephone Operating Companies*, AAD 93-147, Response to Order to Show Cause at 20 (filed May 2, 1995). Bell Atlantic established such automated procedures in areas covered by the audit even prior to the audit findings.

¹⁴ See, e.g., Initial Comments of the National Association of Regulatory Utility Commissioners (filed July 5, 1995).

¹⁵ See *Revision to Amend Part 32, Uniform System of Accounts for Class A and Class B Telephone Companies to Raise the Expense Limit for Certain Items of Equipment from \$500 to \$750*, RM 8448, CC Docket No. 95-60, Comments of Bell Atlantic (filed July 24, 1995).

Conclusion

For the forgoing reasons, the Commission should adopt the USTA VAL proposal as a voluntary alternative to continuing property records for the specified support assets.

Respectfully submitted,

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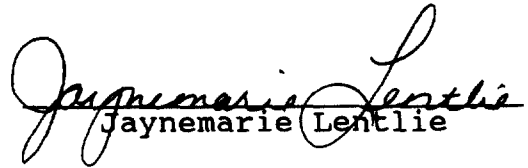
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August 1, 1995

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing "Reply Comments of Bell Atlantic" was served this 1st day of August, 1995 by first class mail, postage prepaid, on the parties on the attached list.


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